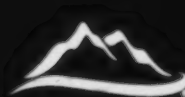


LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
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Municipal
Pension Plan

2008 Annual Report

January 1, 2008 to December 31, 2008

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A Paycheque for Life!

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Financial Highlights

The capital markets were extremely volatile in 2008. The Municipal Pension Plan's market value decreased from \$25 billion in 2007, to \$22 billion as at December 31, 2008. The Plan's Basic and Inflation Adjustment accounts had returns of -12.4 per cent and -12.7 per cent, respectively. While these results are disappointing, it is important to note the Plan's results rank in the top 25 per cent of Canadian pension plans.

Equity markets were exceptionally weak in 2008. The Canadian, U.S., and non-North American stock market indices declined by -33.9 per cent, -37.0 per cent, and -40.3 per cent, respectively. As a result, the Plan's combined equities returned -30.1 per cent, after converting into Canadian dollar terms.

In contrast, bonds and short-term investments performed well as investors looked to more conservative investments to protect their capital. The Plan's fixed income return was 5.5 per cent in 2008.

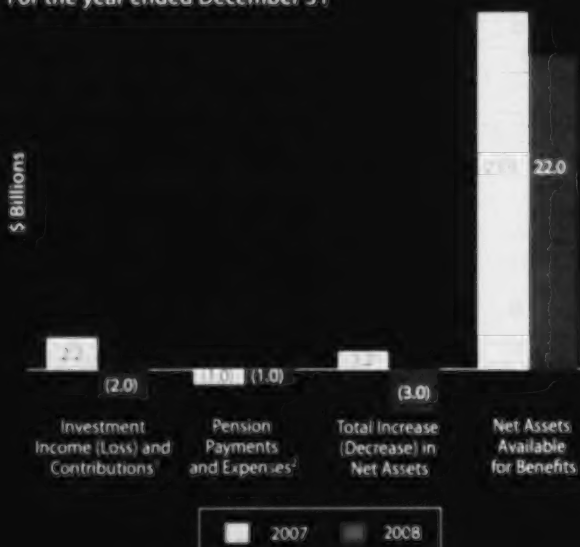
Real estate investments lost some momentum in 2008 but still provided a significant diversification benefit. Canadian real estate closed the year relatively flat with a -0.2 per cent result.

In terms of managing the Plan's asset mix, bcIMC was underweight equities and overweight fixed income and real estate in 2008, in an effort to preserve the Plan's capital during the stock market downturn. Despite these actions, the Plan's basic investments underperformed the performance benchmark by

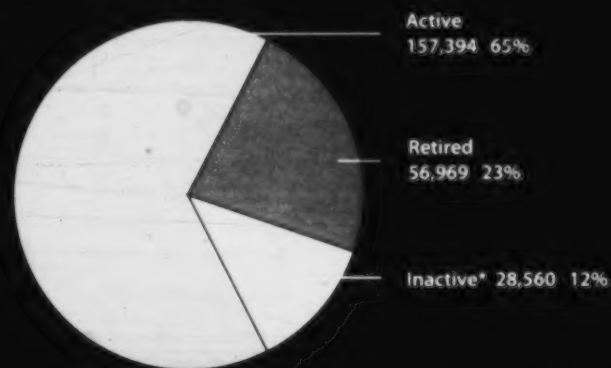
2.3% in 2008, the first time in five years. This is because most asset classes underperformed in 2008 due to the highly volatile and challenging market environment. Specifically, bonds, mortgages, US equities, international equities and real estate underperformed relative to the Plan's benchmarks. Refer to the Basic Account Investment Asset Mix and Performance table for more details.

The challenges faced by all investors in 2008 reinforce how important it is to maintain a well-diversified investment portfolio and follow a disciplined, long-term approach to managing the Plan's investments.

Summary of Changes in Net Assets Available for Benefits For the year ended December 31



Membership Profile



* Members no longer employed, but with money in the plan.

1. Includes investment income or loss, member and employer contributions, and transfers from other plans.
2. Includes pension benefits paid, termination and refund benefits paid, transfers to other plans, retired member group benefits, and investment and administration costs.

See Five-year Financial Summary for more details.

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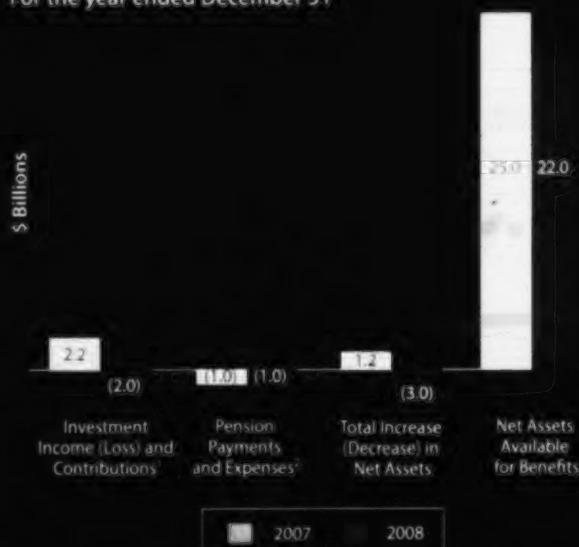
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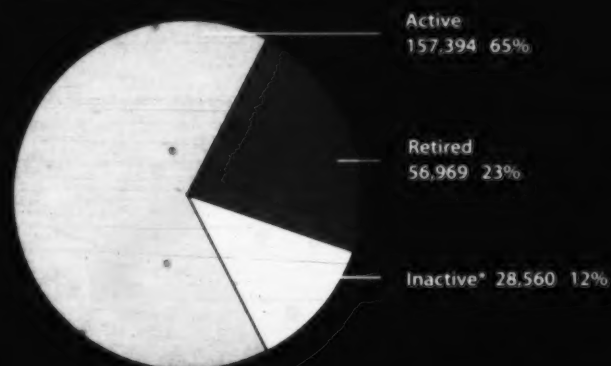
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Five-Year Financial Summary

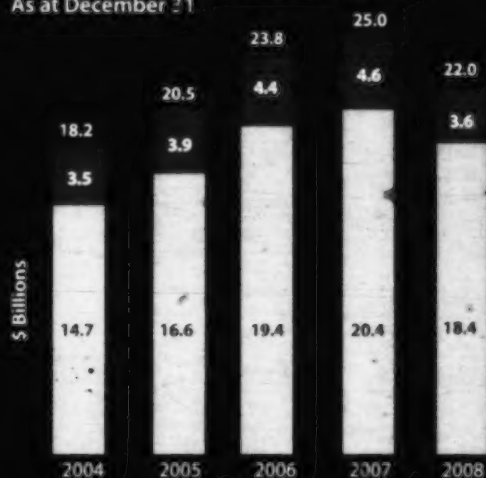
\$ Thousands

For the year ended December 31	2008	2007	2006	2005	2004
Increase (Decrease) in Assets					
Investment Income (Loss)*	(\$3,091,956)	\$1,084,547	\$3,126,011	\$2,223,665	\$1,678,462
Contributions					
Members'	513,165	496,994	460,829	412,067	365,471
Employers'	595,510	566,325	522,128	460,608	409,239
Transfers from Other Plans	19,051	49,502	37,623	48,501	37,700
Total Increase (Decrease) in Assets	(1,964,230)	2,197,368	4,146,591	3,144,841	2,490,872
Decrease in Assets					
Pension Benefits	833,763	762,493	711,133	647,025	593,731
Termination and Refund Benefits	91,629	79,048	65,221	63,996	61,648
Transfers to Other Plans	18,837	45,130	28,273	27,383	37,092
Retired Member Group Benefits	48,009	52,983	55,615	48,347	41,391
Investment and Administration Costs*	49,467	55,453	43,344	39,762	35,179
Total Decrease in Assets	1,041,705	995,107	903,586	826,513	769,041
Increase (Decrease) in Net Assets	(3,005,935)	1,202,261	3,243,005	2,318,328	1,721,831
Net Assets Available for					
Benefits at Beginning of Year	24,978,721	23,776,460	20,533,455	18,215,127	16,493,296
Net Assets Available for					
 Benefits at End of Year	\$21,972,786	\$24,978,721	\$23,776,460	\$20,533,455	\$18,215,127
Investment and Administration Costs as a Percentage of Net Assets*					
Investment Management*	0.19%	0.24%	0.19%	0.17%	0.15%
Administration	0.10%	0.08%	0.08%	0.09%	0.09%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$13.0 million (2007—\$23.9 million; 2006—\$20.6 million; 2005—\$12.6 million; 2004—\$7.9 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets.

Net Assets Available for Benefits

As at December 31



■ Net Assets Available for Basic Benefits
 ■ Net Assets Available for Inflation and Other Benefits

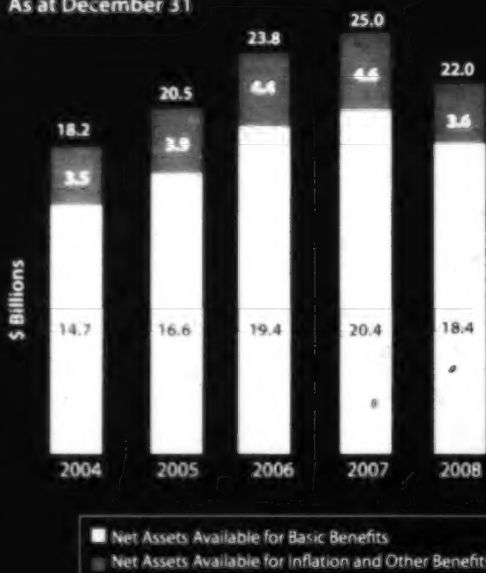
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Net Assets Available for Benefits
As at December 31



Market Value Rates of Return

For the year ended December 31, 2008

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks (%)*
Annual Rates			
2008	(12.4)	(12.7)	(10.1)
2007	4.4	4.4	2.5
2006	15.0	15.2	12.2
2005	12.0	12.5	10.7
Five-year Annualized** Rates			
2008	5.3	5.5	4.7
2007	10.7	11.1	9.7
Ten-year Annualized** Rates			
2008	5.2	5.6	4.9
2007	7.5	7.8	7.1
2008 Annual Rates by Investment Category			
Short-term			
Money Market	4.1	4.1	3.3 DEX 91-Day T-Bill
Bonds	9.6	9.6	10.2 DEX Short-term Government Bond
Bonds			
Universe***	5.6	5.6	6.4 DEX Universe Bond
Long-term	5.6	5.6	6.2 DEX Government Long-term Bond
Real Return	1.5	0.1	0.4 DEX Real Return Bond
Canadian Equities			
Actively Managed	(32.7)	(32.7)	(33.9) S&P/TSX Equity
Indexed	(33.4)	(33.4)	(33.9) S&P/TSX Equity
Enhanced	(32.9)	(32.9)	(33.9) S&P/TSX Equity
Strategic Infrastructure	(40.7)	(40.7)	(33.9) S&P/TSX Equity
U.S. Equities (unhedged)			
Actively Managed	(24.4)	(24.4)	(22.7) R 1000
Indexed	(21.9)	(21.9)	(21.9) S&P 500
Value	(24.6)	(24.6)	(24.7) S&P 500/Barra Value
Enhanced	(23.2)	(23.2)	(21.9) S&P 500
International Equities (unhedged)			
Asia	(29.4)	(29.4)	(27.3) MSCI Pacific Net
Europe	(34.2)	(34.3)	(33.0) MSCI Europe Net
Europe, Australia and the Far East	(31.9)	(31.9)	(29.2) MSCI Europe, Australasia, Far East Net
Real Estate	(0.2)	(0.2)	5.2 CPI + 4%
Mortgages			
Fixed-term	6.3	6.3	9.6 DEX Short-term Bond + 1%
Construction	6.5	6.5	6.8 DEX One-year T-Bill + 1%
Mezzanine	10.8	10.8	8.4 DEX One-year T-Bill + 2.5%

* Benchmarks are standards to compare against actual investment returns.

** An annualized rate means the rate for a five- or ten-year period converted into the equivalent annual rate.
The five-year annualized rate of the Basic Account is the net earned rate of the fund.

*** Universe bonds are comprised of Corporate and Government Bonds.

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
DEX	=	Derivative TSX
MSCI	=	Morgan Stanley Capital International
R	=	Russell
S&P	=	Standard & Poor's
S&P/TSX	=	Standard & Poor's/Toronto Stock Exchange

(Source of annual rates: British Columbia Investment Management Corporation)

Message from the Municipal Pension Board of Trustees

The Municipal Pension Plan had a tough 2008. Our investment return was -12.4 per cent for the Basic Account and -12.7 per cent for the Inflation Adjustment Account. These results were slightly lower than the benchmark at -10.1 per cent and considerably lower than the 6.75 per cent rate of return we used to determine contribution rates at the last actuarial valuation at the end of 2006.

The Plan's investments underperformed because of the highly volatile and challenging market environment in 2008. As a result of the negative investment returns, the Plan's market value decreased in value from \$25 billion in 2007 to \$22 billion as at December 31, 2008.

In 2008 deteriorating credit conditions gave way to a broad-based economic slowdown and a sharp decline in worldwide stock prices. Canadian, U.S. and non-North American stock market indices declined by -33.9 per cent, -37.0 per cent and -40.3 per cent, respectively.¹

Although 2008 was not a good year for the Municipal Pension Plan, it was not nearly as bad as it has been for other investors and other pension plans. The Message from the CEO of bcIMC, the Plan's investment manager, provides more detail about the investment returns earned by other pension plans and about how bcIMC was able to contain the investment losses for the Municipal Pension Plan.

Times like these demonstrate the true value of a defined benefit pension – the kind the Municipal Pension Plan provides.

Over the long term, we expect the economy to recover and investment returns to be positive. Because pensions are paid from a large, pooled fund, the Plan can continue to pay pensions now and rebuild the pension fund over time. Individuals with defined contribution pension plans or RRSPs may be forced to take lower amounts of income as a result of 2008. And they won't have the same ability as we do to rebuild pension savings.

We can say this for a number of reasons.

First, as a defined benefit pension plan, the Municipal Pension Plan has an actuarial valuation at least every three years. The Plan's next valuation will be at December 31, 2009. The valuation calculates how much money is needed to pay the pensions being paid to retirees and the pensions that will be paid to active members in the future. The valuation also calculates how much money the Plan has now, how much it will receive from future contributions and how much all of this money is expected to earn through investments.

If the cost of pensions is higher than the estimated amount of money the Plan has or will have, the Board is required to increase contribution rates for members and employers. This ensures there is always enough money in the pension fund to pay all members' basic pensions for many years into the future.

Second, the Trustees invest the Plan's funds with a long-term investment horizon. We have had years in which the Plan earned more than its actuarial target and in 2008 the Plan earned less than its actuarial target. We expect to achieve the average rate of return over a period of many years. The Plan invests in a variety of asset classes to balance different return expectations and different levels of risk. Some assets, such as real estate, are held for long periods and provide stable cash flows.

Third, your pension is a defined benefit pension and the amount of your pension payment is determined by your service and earnings while you contributed to the Plan. When you retire, we confirm the exact amount of the basic lifetime pension you will receive and when the payments will be made. Your defined benefit pension payment will continue, unaffected by the markets,

¹ Canadian, U.S., and non-North American stock returns are expressed in local currency, represented by the S&P/TSX Equity Index, S&P 500 Index, and MSCI EAFE Net Index, respectively.

for your lifetime and, if you select a survivor benefit, for the lifetime of your spouse or beneficiary.

Pension plans are long-term investors and it is important to focus on long-term results. While the results in 2008 were negative, the five-year annualized return for the Plan's Basic account is still positive at 5.3 per cent. Over 15 years, the annualized return for the Plan's Basic account is 7.1 per cent.

You'll notice this Annual Report has a different format than in past years. For environmental and practical reasons, the Trustees are pleased to present this year's

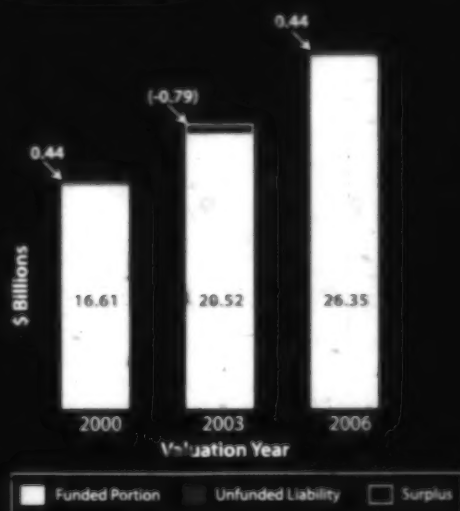
annual report as a web product, rather than the traditional printed version and PDF available on the website. This move is in keeping with best practices among our pension peers and is intended to give you an interactive report you can read through in your own way, touching on the points you're most interested in. We hope you like it.

Kenneth Bayne

Kenneth Bayne
Chair

Municipal Pension Board of Trustees

Funding of the Total Basic Benefit Liability As at December 31



Latest Actuarial Valuation \$ Millions

December 31	Basic Pension Benefits Net Surplus (Unfunded Liability)		
	2006	2003	2000
For Funding Purposes*	\$438	(\$789)	\$436
Ratio of Surplus (Unfunded Liability) to Computed Payroll	7%	(14%)	9%
For Accounting Purposes	\$217	(\$29)	\$847

* Assuming contributions continue at rates in effect at the valuation date. See Note 7 and Note 8 to the Financial Statements for additional explanation.

Basic Account Investment Asset Mix and Performance As at December 31, 2008

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark (%)**
Fixed Income	25-45			
Short-term	0-10	1.0	5.1	3.3
Mortgages	0-10	5.8	6.6	8.9
Bonds	17-28	24.2	5.6	6.4
Real Return Bonds	0-10	5.0	1.5	0.4
Equity	55-75			
Canadian Equities	12-22	14.3	(33.8)	(33.9)
U.S. Equities	10-20	13.8	(24.6)	(22.3)
International Equities	10-20	12.6	(31.7)	(29.4)
Real Estate	8-20	16.8	(0.2)	5.2
Private Placements	0-15	6.5	**	**

* Benchmarks are standards to compare against actual investment returns.

** Annual rate of return is not available.

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annual report as a web product, rather than the traditional printed version and PDF available on the website. This move is in keeping with best practices among our pension peers and is intended to give you an interactive report you can read through in your own way, touching on the points you're most interested in. We hope you like it.

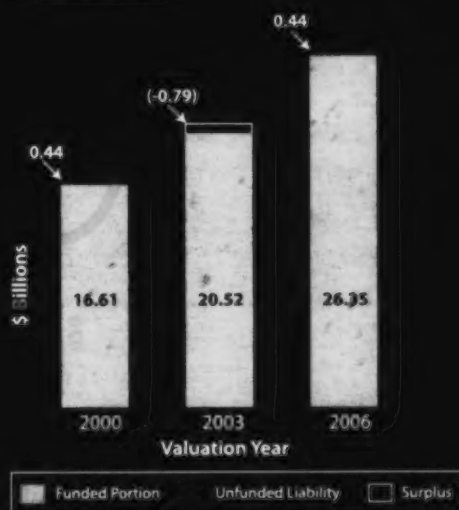
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Message from the CEO of the British Columbia Investment Management Corporation (bcIMC)

As investment manager to the Municipal Pension Plan ("the Plan"), bcIMC plays a key role in ensuring the security and dependability of the Plan's benefit promise. The year ending December 31, 2008, was an extremely difficult year for investors as deteriorating credit conditions gave way to a broad-based economic slowdown and a sharp decline of 38.7 per cent in worldwide equity prices.

The Plan was not immune to these broad market conditions. Nevertheless, the Plan performed much better than the stock market, mainly due to its diversified investments and its avoidance of some of the costly missteps that negatively impacted other investors. Specifically, the Plan's Basic and Inflation Adjustment accounts returned -12.4 per cent and -12.7 per cent, respectively, for the year.

While these results are disappointing, the Plan's 2008 results compared favourably to the results of other Canadian pension funds, ranking in the top 25 per cent. In fact, the average pension fund return was between -15.9 per cent and -17.1 per cent in 2008 with results for the large Canadian public sector pension plans ranging to as low as -25 per cent.

The Plan's Investment Approach

The Plan's relative success was attributable to the investment policies set by the Plan's Trustees and to bcIMC's focus on risk management. As events in 2008 unfolded, bcIMC adhered closely to our investment philosophy based on diversification, due diligence, and disciplined investing:

- **Diversification**—reduces risk and provides a more stable rate of return by holding multiple asset classes and securities across various regions.
- **Due Diligence**—assists prudent decision-making through careful analysis of the risk.
- **Disciplined investing**—helps prevent a portfolio from being whipsawed by rapid changes in investor sentiment.

bcIMC's focus on risk management ensured the Plan was not directly exposed to any of the risky investments that were at the root of the market upheaval. For example, the Plan did not invest in subprime mortgages, non-bank sponsored asset-backed commercial

paper (ABCP) or complex derivatives. In addition, the Plan did not use leverage in the public markets. As a result, the Plan, unlike many other investors, did not have to sell any assets at distressed prices during the market decline.

Another way to preserve capital is to carefully manage costs, thereby allowing a greater proportion of investment return to pass through to the Plan. bcIMC operates on a cost-recovery, not-for-profit basis. Its large asset size provides access to substantial economies of scale. As a result, bcIMC's fees continue to be significantly below those of other investment managers.

Regardless of the market environment, responsible investing remains an integral part of bcIMC's investment philosophy. It is our belief that responsible corporate behaviour with respect to environmental, social and governance factors generally contributes to better long-term financial performance of companies. Therefore, bcIMC uses its influence as an investor to protect and increase the value of Plan assets through engagement with companies, proxy voting, comments to regulators and policymakers, and collaborative work with other shareholders. I encourage plan members to learn more about bcIMC and our responsible investment activities by reviewing our website: www.bcimc.com.

Outlook for 2009

Looking forward, we anticipate that 2009 will be another challenging year in the markets. Powerful economic stimulus has been set in motion. Coordinated policy responses by global leaders will eventually restore stability in the marketplace and create a more balanced view of risk. However, the return to normal financial conditions will likely be a slow and uneven process.

With this in mind, we consider today's investment environment to be in many ways superior to that of a year ago. The Plan is well-positioned to acquire good long-term investments at favourable prices, and we expect to take advantage of opportunities to buy undervalued assets that will enhance the future long-term value of the Plan.

On behalf of all the staff at bcIMC, it has been a pleasure working with the Municipal Pension Board of Trustees and serving the members of the Municipal Pension Plan. I look forward to working together in future.



Doug Pearce

Chief Executive Officer & Chief Investment Officer
British Columbia Investment
Management Corporation

Investments Held as at December 31, 2008

	Market Value (\$ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	\$179,495	0.8
Short-term Bonds (1-5 years)	32,126	0.1
	211,621	0.9
Bonds		
Government	20,553	0.1
Universe	4,219,753	19.2
Long-term	1,040,144	4.7
Real Return	1,107,720	5.0
	6,388,170	29.0
Canadian Equities		
Indexed	1,685,182	7.7
Actively Managed	1,464,150	6.7
	3,149,332	14.4
U.S. Equities		
Indexed	2,059,492	9.4
Actively Managed	934,424	4.3
U.S. Currency Hedging*	31,409	0.1
	3,025,325	13.8
International Equities		
Asia	537,494	2.4
Europe	874,668	4.0
Europe, Australia and the Far East	1,304,756	6.0
International Currency Hedging*	43,812	0.2
	2,760,730	12.6
Real Estate, Mortgages, and Private Placements		
Real Estate	3,703,877	16.9
Mortgages	1,266,980	5.7
Private Placements	1,465,007	6.7
	6,435,864	29.3
Total Investments	\$21,971,042	100.0
2007 Comparison	\$25,034,347	

* Foreign Currency Hedging or U.S. Currency Hedging is used to minimize currency risk associated with investments made outside our borders.

Investments Held as at December 31, 2008

(Underlying investments are in pooled portfolios.)

Top 10 Holdings

Canadian Equities

Company	Market Value (\$ Thousands)	Per cent of Total Canadian Equity
Encana Corp	162,336	5.2
Royal Bank Of Canada	159,936	5.1
Toronto Dominion Bank	126,163	4.0
Barrick Gold Corp	113,672	3.6
Bank Of Nova Scotia	112,694	3.6
Manulife	111,553	3.5
Suncor Energy	98,530	3.1
Goldcorp Inc.	97,698	3.1
Potash Corp Of Sask	95,858	3.1
Cdn Nat Resources	88,634	2.8
Total Top 10	1,167,074	37.1
Total Canadian Equity	3,149,332	100.0

US Equities

Company	Market Value (\$ Thousands)	Per cent of Total US Equity
Exxon	109,653	3.6
AT & T Corporation	61,930	2.1
GE Capital Company	61,066	2.0
Procter & Gamble Co	60,075	2.0
Wells Fargo Co	51,952	1.7
Microsoft	51,492	1.7
Johnson & Johnson	49,624	1.6
JP Morgan Chase	49,281	1.6
Pfizer	47,466	1.6
Wal Mart Stores	41,242	1.4
Total Top 10	583,781	19.3
Total US Equity	3,025,325	100.0

International Equities

Company	Market Value (\$ Thousands)	Per cent of Total International Equity
Royal Dutch	68,010	2.5
Nestlé Inc.	54,152	1.9
Telefonica	43,642	1.6
Total	40,705	1.5
Novartis AG	40,123	1.5
BP Inc	36,097	1.3
Vodafone Group	35,730	1.3
Roche Holdings AG	34,319	1.2
HSBC Holdings	33,246	1.2
E.ON AG	32,961	1.2
Total Top 10	418,985	15.2
Total Non-North American Equity	2,760,730	100.0

Message from the CEO of the Pension Corporation

Customer service is the top priority for the staff of BC Pension Corporation. We, on behalf of the Municipal Pension Board of Trustees, provide full customer support to active and retired members by telephone, mail, online, through e-mail and in person at our location in Victoria and at information sessions held throughout the province. We are proud of the service we provide and the recognition we receive as one of the leading pension service organizations in Canada.

The Municipal Pension Plan benchmarks costs against industry peers. At \$104, our administration costs per member are in the bottom quartile for cost among pension plans of similar size.

We work hard to make the pension experience easy for the members of the Municipal Pension Plan by providing clear and timely information. As well, we are continually working on ways to improve our systems and processes. In fact, we are currently replacing the system we use to administer retired members' pensions and services. The new system will improve our internal processes and provide new and enhanced functionality for retired members. We are also engaged in a comprehensive learning and development program for our staff to ensure they have the skills and tools they need to serve you. These improvements, along with many others, will increase efficiency and help us provide an even better service experience for our active members, retirees and employers.

One of the highlights of our service to clients is the seminar series for active members: "Your Pension, Your Future" for new or mid-career members, and "Thinking About Retiring" for members getting closer to retirement. Over 5,700 plan members attended

seminars in 43 communities in 2008, which is an increase of about 35 per cent over 2007.

None of this would be possible without the tireless and careful work of the employees, management and executives of the Pension Corporation. We all continue to work hard to serve you by ensuring you receive great value and service you trust from people who care. We look forward to serving you in the years ahead.

I'd also like to thank Louise Young for her service as interim Chief Executive Officer and wish her well in her retirement. Louise retired from the Pension Corporation after serving as Chief Operating Officer and Vice President, Information Management, Finance and Administration, for more than 16 years.

I'm pleased to have joined the BC Pension Corporation as its new Chief Executive Officer. I'm excited to work with the staff and the Board of Trustees as we move forward and continue to enhance the service experience.



Laura Nashman
Chief Executive Officer
British Columbia Pension Corporation

Service to members and employers

Did you know that when you call the Municipal Pension Plan, your call is always answered by a real person? Our service representatives answer more than 90,000 calls a year, two-thirds of which are from members who are working and contributing to the Plan.

Calls from employers are answered by our Employer Services team, who take more than 6,400 calls a year about all types of issues, including forms, reporting, eligibility and general service, salary and contributions inquiries.

The Board recognizes how important good service is to members and employers, and it's a priority to make sure you are being looked after by knowledgeable and helpful staff. All of the staff who answer the phones, e-mails or personal inquiries for the Municipal Pension Plan have received specialized training in pensions and the Plan Rules. They also receive ongoing training as updates are made to the Plan.

We don't just deal with clients at our offices in Victoria. A big part of our outreach to members is our seminar series: "Your Pension, Your Future" for new or mid-career members, and "Thinking About Retiring" for members getting closer to retirement. Our staff travel all over the province delivering pension information to plan members where they live and work. Over 5,700 plan members attended seminars in 43 communities in 2008, which is an increase of about 35 per cent over 2007.

We provide the same outreach to employers, offering two-day intensive employer education workshops. In 2008, 138 attendees representing 100 employers took advantage of these workshops; 72 attended a half-day year-end refresher workshop in October.

And of course more and more of our services are moving online, allowing plan members and employers to access pension plan information when and where it's convenient.

For members, we feature My Account. More than 21,000 plan members are currently signed up for this service, allowing them to access their personal pension information online. It's a great way to get an estimate of what your future pension might be, and we hope to see more members signed up soon.

For employers, much of your interaction with the plan already occurs online. In 2008, we debuted a new online employer enrolment process to make enrolment for new employers much easier. Part of the motivation for this new service is the addition, in 2010, of the Community Social Services sector employers and members. This group will add 200 new employers and up to 15,000 new members to the Municipal Pension Plan, all of which brings even more stability to the Plan overall. A significant amount of time has been spent educating and communicating the value of plan membership to these prospective employers and members.

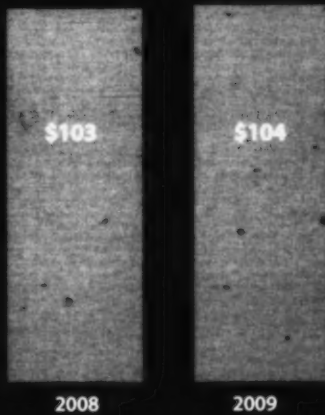
For the past two years, the Plan has produced informational videos. We've received feedback from employers that these videos are valuable in educating new and existing plan members about what it means to be a member of this plan. To make this information even more accessible to other audiences, the Trustees recently decided to post these videos on Youtube.com, a popular video-sharing website.

And finally, to make sure we're providing the services you need in the ways you need them, we are diligent in surveying employers and members to get satisfaction feedback. We take those survey results very seriously, and we're pleased to report these results are very positive.

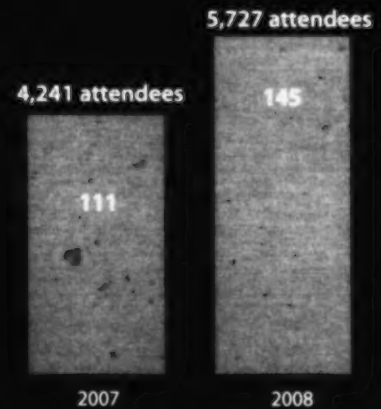
Above all, the Trustees know their overall responsibility is to safeguard the pension funds, so we also make sure this service is being provided at a reasonable cost. The MPP's cost per member ranks lower than most similar pension plans of our size, and we continue to benchmark our costs against our industry peers. The annual cost per member for our plan administration is \$104.

As always, the Trustees welcome feedback on any of the services we provide. Contact options are found on the last page of this document.

Annual Cost Per Member
(12 months ended March 31)



Total Seminars Provided
(12 months ended March 31)



Note: Numbers are based on BC Pension Corporation fiscal year.

Annual Cost Per Member
(12 months ended March 31)



Total Seminars Provided
(12 months ended March 31)



Note: Numbers are based on BC Pension Corporation fiscal year.

Who we are

The Trustees are appointed by the Plan Employer Partner (the Province of British Columbia and the Union of British Columbia Municipalities) and the Plan Member Partner (the Municipal Employees' Pension Committee) as well as by other appointing authorities. This joint governance by members and employers is called joint trusteeship. More information on joint trusteeship can be found on the Plan website.

The Municipal Pension Board of Trustees is responsible for governance of the Pension Plan and providing direction to the plan administrative agent (BC Pension Corporation) and the plan investment agent (bcIMC). The Board interprets the Plan Rules and amends them as required, including increasing contribution rates if an actuarial valuation determines that the Plan has a deficit.

The Board establishes the Plan's investment policy and monitors investment performance. The Board oversees the administration of the Plan and is the final level of appeal for members and others who dispute the way in which the plan administrative agent has administered the Plan Rules. More information on the appeals process can be found on the Plan website. The Trustees are responsible for ensuring there is an actuarial valuation at least every three years, that there is an annual financial audit, and for reporting on the Plan's actuarial, financial and operational status to the Plan Partners, members and employers. This annual report is one of the ways in which this reporting obligation is carried out.

The Board takes its fiduciary responsibilities seriously.

The Board holds three regular meetings each year and generally has at least one additional special-purpose meeting. In addition, Trustees sit on at least

one of the Board's six committees and/or the Appeals Panel, as well as participating in a number of committees with the other public sector pension boards. See below for more detail on committees. The Board posts highlights of its meetings on the Plan web site.

The British Columbia Pension Corporation provides benefit administration services as an agent of the Board of Trustees. It provides plan information to members and employers, manages contributions and member records, pays pension benefits and provides policy, financial and communication services to the Trustees.

The British Columbia Investment Management Corporation (bcIMC) is one of Canada's largest investment managers, and administers more than \$75 billion in assets with global exposure and is supported by industry leading investment expertise. The bcIMC offers fund management in all major asset classes including strategic and infrastructure investment. The corporation provides investment management services as an agent of the Board.

PriceWaterhouseCoopers LLP provides external audit services for the MPP.

Eckler Ltd. serves as the Plan actuary for the MPP. The actuary conducts an actuarial valuation on the Plan's funding every three years.

Davis LLP is the legal counsel for the MPP.

Board of Trustees

Ken Bayne, Chair

Ken Bayne worked in the finance group at the City of Vancouver for the last 24 years, and has recently been appointed general manager, Business Planning and Services. Ken has been active in the Government Finance Officers Association of BC, including participation as a member of the organization's pension committee.

Ken was appointed to the Board of Trustees in 2001 by the provincial government and the Union of British Columbia Municipalities and holds a position reserved for non-union members of the Municipal Pension Plan. Since 2003, Ken has served three terms as chair and two as vice-chair of the Board.

He holds a Bachelor of Arts (Political Science) and a Master of Science (Business Administration) from the University of British Columbia.

Brendan Dick, Vice Chair

Brendan Dick is the director of membership services on the staff of the Hospital Employees' Union (HEU), which appointed him to the Board of Trustees in 2003. He has sat on the Interplan Audit Committee for more than ten years. He has served as one of the Canadian Blood Services Defined Benefit Trustees since 2005 and is a past-president of the Hospital Employees' Staff Union.

Brendan has completed the Advanced Trustee Management Standards course parts 1 to 3 and the Responsible Trustee Program through the Sauder School of Business. Brendan has served as the Board chair and is currently the Board vice-chair.

Dennis Blatchford

Dennis Blatchford is the pension and benefits advocate for the Health Sciences Association of BC (HSA). Before joining the HSA, Dennis was a director for the BC Federation of Labour, working in the areas of health labour relations, human rights and disability advocacy.

The HSA appointed him to the Board of Trustees in 2001. Dennis also served as one of the Canadian Blood Services Defined Benefit Trustees between 1998 and 2004.

Lucas Corwin

Lucas Corwin is currently an Executive Director with the Public Sector Employers Council Secretariat and has held a number of senior roles within the Provincial Government.

Prior to joining the Province in 2002, Lucas practiced law at Fasken Martineau DuMoulin in Vancouver where he first became involved in pension issues as a labour and employment lawyer.

On joining the provincial government Lucas was appointed to the Teachers' Pension Board of Trustees, moving to the Municipal Pension Board of Trustees in the Fall of 2008.

Hugh Finlayson

Hugh Finlayson is the chief executive officer of the BC Public School Employers' Association and was appointed to the Board of Trustees in 2006. He is a member of the Community Social Services Employers' Association board of directors and led a series of governance and service development initiatives in the post-secondary and social services sectors.

Hugh is a Certified Canadian Human Resources Professional and teaches labour relations and related human resource management courses at the post-secondary level.

Harold Heyming

Harold Heyming served as the vice-chair of the Interior Savings Credit Union, a trustee of the BC Central Pension and Benefit Trust, vice-president and secretary-treasurer of the BC Professional Fire Fighters Association, and secretary-treasurer of the BC Professional Fire Fighters' Burn Fund. He was appointed to the Board of Trustees in 2003 by the BC Professional Fire Fighters Association and the BC Federation of Police Officers.

Harold is a 32-year veteran platoon captain for the Kelowna Fire Department.

Robert Hobson

Robert Hobson has been a director of the Union of British Columbia Municipalities (UBCM) for 13 years, a member of Kelowna City Council for 19 years, chair of the Regional District of Central Okanagan board for 14 years, and has sat on various boards, including the Municipal Finance Authority, the Regional Transportation Advisory Committee, the Central Okanagan Regional Hospital District, and the BC Healthy Communities Coalition.

Robert is a professional planner and administrator who was appointed to the Board of Trustees in 2006 by UBCM. He holds a Master of Arts in Community and Regional Planning and a Master in Public Administration.

Gary Johnson

Gary Johnson is a national representative for the Canadian Union of Public Employees (CUPE), and was appointed to the Board of Trustees in 2001 by the Municipal Employees Pension Committee. He has also served as chair and vice-chair of the CUPE Employees Pension Plan and as a trustee on the Public Education Benefits Trust. Gary has extensive training in pension administration. He is a director on the BC Pension Corporation Board.

Lyn Kocher

Lyn Kocher is the director of finance and administration for the Health Employers Association of BC (HEABC), and was appointed by the HEABC to the Board of Trustees in 2001. She is also a certified general accountant. Lyn has taken the Advanced Trustee Management Standards training, and has sat on the Interplan Audit Committee for four years.

Frank Leonard

Frank Leonard is currently chair of the Municipal Finance Authority, on the board of the Federation of Canadian Municipalities, and has also served as president of the Union of British Columbia Municipalities (UBCM). He has been the mayor of Saanich since 1996 and chairs the Saanich Police Board, serves on the Regional Transit Commission, and has chaired the Capital Regional District Board, the Hospital Board, and the Housing Corporation Board.

Frank was appointed to the Board of Trustees in 2002 by UBCM, and is on the board of directors for the BC Investment Management Corporation. Frank has a Bachelor of Arts (Honours) and a Master of Arts from the University of Victoria.

Louise Mercer

Louise Mercer served on the Municipal Pension Advisory Board and helped negotiate the Joint Trust Agreement. She has completed courses in pension administration offered by the Sauder School of Business, the Humber College Trustee Development Program, and the International Foundation Canadian Investment Institute, as well as the Advanced Trustee Management Standards course part 1.

Louise retired in 2002 from her position as director, corporate affairs, for the Public Sector Employers' Council Secretariat. She was appointed to the Board of Trustees in 2001 by the provincial government, and holds a Public Sector Management diploma from the University of Victoria.

Brian Northam

Brian Northam has served on the executive of the Greater Vancouver Regional District Employees Union for more than 15 years. He was appointed to the Board of Trustees in 2001 by the Council of Joint Unions and Organizations, previously served on the Municipal Pension Advisory Board and helped negotiate the Joint Trust Agreement.

Brian has completed trustee education courses through Humber College, the Sauder School of Business and the International Foundation Canadian Investment Institute. He is also a member of the Association of Canadian Pension Management, and works as an electrician with the Metro Vancouver Utilities Division.

Steven Polak

Steven Polak has been a member of the Municipal Pension Advisory Committee since 1980, and helped negotiate the Joint Trust Agreement. He was one of the founding members of the Municipal Pension Retirees' Association, of which he is also president.

He formerly served as a Trustee appointed by the Hospital Employees Union (HEU) before his retirement in 2002, and now by the Municipal Employees Pension Committee in a position reserved for retired members. Steven also chaired the MEPC from 1982 until 2002, and served as a director and provincial executive of the HEU. He was also one of the founding directors of the BC Pension Corporation, and has done extensive pension administration and Trustee training.

Patti Price

Patti Price was appointed to the Board of Trustees in 2006 by the Canadian Union of Public Employees, British Columbia (CUPE BC). Patti was a member of the CUPE BC Pensions Committee before joining the Board. She is a human resources/benefits clerk with the Delta Board of Education, and is responsible for administering about 900 CUPE support staff workers in her school district.

Sharon Saunders

Sharon Saunders is a past chair of the Board of Trustees, was on the negotiating team for the Joint Trust Agreement, and was a member of the Municipal Pension Advisory Board prior to joint trusteeship of the Plan. She was appointed to the Board in 2001 by the British Columbia Nurses Union (BCNU), and currently works as the Early Intervention Program administrator.

She is the staff resource on pensions for BCNU members and supports the BCNU Pension Committee.

Alternate Trustees

Donisa Bernardo

Donisa Bernardo works as the financial secretary for the Hospital Employees Union (HEU), The Municipal Employees Pension Committee appointed her to the Board of Trustees in 2001. Donisa has worked as a pharmacy technician at Royal Inland Hospital since 1984, and has been involved with the HEU since 1989.

Jessica Bowering

Jessica Bowering has worked as legal counsel for the Health Sciences Association of British Columbia (HSABC) since 2007. Prior to joining HSABC, she worked in private practice offering both public and private sector pension advice since 2004. She was appointed to the Board in 2008 as an alternate Trustee representing HSABC.

Jessica holds an LLB from Dalhousie University, and has served on governance boards for various non-profits through her career.

Elaine Doyle

Elaine Doyle is a lawyer serving as a senior advocacy consultant with the Health Employers Association of British Columbia. She was appointed to the Board in December 2008. Elaine has many years' experience representing employers and employees in labour relations matters, and was the executive director of the Government Caucus from 1991 to 1996. She is also a member of the Law Society of BC.

Pat Doyle

Pat Doyle is currently the chief human resources officer for the Interior Health Authority, and was appointed to the Board of Trustees in 2004 by the Health Employers Association of British Columbia. Pat has 30 years experience in human resources in both the private and public sectors. In addition, Pat is currently board chair for the Kelowna Community Food Bank, and was an original board member of the Occupational Health & Safety Agency for Healthcare in BC, and former board member for the Kelowna Chamber of Commerce. Pat holds a Master of Science, Career and Human Resource Development degree and is a member of the Institute of Corporate Directors.

Keith Ewart

Keith Ewart, a chartered accountant for 30 years, formerly worked as the chief financial officer and director of financial services for the Healthcare Benefit Trust. The trust is responsible for the safe custody and investment of trust assets exceeding \$600 million and administration of annual cash flows of \$300 million. Keith was appointed to the Board of Trustees in 2005 by the provincial government and the Union of British Columbia Municipalities, and holds a position reserved for non-union members of the Municipal Pension Plan. He has completed the Independent Corporate Directors diploma program.

Keith was appointed to the Board of Trustees in 2005 by the provincial government and the Union of British Columbia Municipalities, and holds a position reserved for non-union members of the Municipal Pension Plan. He has completed the Independent Corporate Directors diploma program.

Stan Hambley

Stan Hambley worked as a licensed practical nurse in Victoria before serving for eight years as the secretary-treasurer of his Hospital Employees Union (HEU) local, and then becoming a fulltime representative for the HEU. He has assisted union members with WorkSafeBC appeals, long-term disability appeals, and represented members in front of various arbitration boards. Stan was appointed to the Board of Trustees in 2008 by the Council of Joint Unions and Organizations.

Terry Killough

Terry Killough worked in financial, business, and human resources management in the public school system for 32 years, and retired as Secretary-Treasurer of the Okanagan Similkameen School District in 2007. He was appointed to the Municipal Pension Board by the BC Public School Employers' Association in 2001. Terry holds a BSc. in Mathematics and is a retired Certified General Accountant.

Kelly Knox

Kelly Knox is the senior trustee elect for the Hospital Employees' Union (HEU), and is currently working as a catheterization laboratory aide. Kelly was first appointed to the Board of Trustees by the HEU in 2003.

Fran Macdonnell

Fran Macdonnell has been a Trustee since 2001, and served on the Municipal Pension Advisory Committee that helped negotiate the Joint Trust Agreement. Fran was appointed originally by the BC Nurses Union (BCNU), and now by the Municipal Employees' Pension Committee in a position reserved for retired members. She was a registered nurse working in the obstetrical unit in Kelowna until she retired in 2004. Fran has also served as a council member on the board of directors for the BCNU, and as regional chair for the Okanagan Similkameen region of the BCNU.

Len Rose

Len Rose is the executive officer of the British Columbia Nurses' Union (BCNU), and chairs the BCNU Pension Committee. He was appointed to the Board of Trustees in 2008 by the BCNU. Len has a diploma in nursing, has served as a board member of the Occupational Health and Safety Agency in Healthcare, and has training in pensions, health and safety and emergency nursing.

Angie Sorrell

Angie Sorrell is the Executive Director, Pensions for the Public Sector Employers' Council Secretariat, involved primarily with the four public sector pension plans. Angie is also an official for the province in the Canada Pension Plan Committee of Officials. In her previous position with the Performance Budgeting Office of Treasury Board Staff for the Ministry of Finance, she was a Senior Advisor to the Provincial Treasury Board.

Angie holds a Bachelor of Political Science and a Master of Public Administration. Her training and work has revolved around budget, fiscal and economic analysis, and is now focused on pension issues. She was appointed to the Board of Trustees in February 2008 by the provincial government.

Todd Sweet

Todd Sweet has served on the executive board of the New Westminster Police Officers' Association for 10 years, including two as treasurer and six as president. Todd has also served for four years as a trustee with the BC Federation of Police Officers. In those capacities, Todd has been involved in collective bargaining, grievances and lobbying the federal and provincial governments for changes to legislation and public safety issues. He has been a police officer for 18 years. Todd was appointed to the Board of Trustees in 2005 by the BC Federation of Police Officers.

Richard Taylor

Richard Taylor is a founding Trustee of the Board and was appointed by the Union of British Columbia Municipalities (UBCM) in 2001. He came to the Board of Trustees through his position as executive director of UBCM from 1985 to 2007.

He has been directly involved in pension matters since 1988, including the original UBCM advisory committee, the 1990s Superannuation Commission advisory committee and as UBCM's representative during the Joint Trust Agreement negotiation. He is also a director and past chair of both Pacific Blue Cross and the BC Pension Corporation Board.

Richard holds a Master of Science in community and regional planning. He has held public service roles at the local government level for over 30 years.

Brad Underwood

Brad Underwood is the director, compensation data and research in the Public Sector Employers' Council Secretariat and was appointed to the Board of Trustees in 2006 by the provincial government. He has completed courses in pensions and group benefits through the Certified Employee Benefits Specialist program, has taken the Advanced Trustee Management Standards program levels 1 and 2, and holds a Certificate of Pension Fund Management.

Brad, a former senior policy analyst with the BC Pension Corporation, holds a Bachelor of Political Science and a Master in Public Administration from the University of Victoria. He previously worked in municipal parks and recreation services.

Committees of the Municipal Pension Board of Trustees

The Municipal Pension Board of Trustees has seven committees that make recommendations to the Board on a wide variety of issues affecting the Plan. In addition, the Board appoints an Appeals Panel, which considers and decides appeals. Each committee meets on a regular basis. The committees are:

Appeals Panel

The Appeals Panel was established in accordance with the Joint Trust Agreement and has full jurisdiction to consider and decide all appeals. Its role is to determine whether the plan administrative agent applied the Plan Rules correctly; the Panel does not have the authority to change the Plan Rules. Decisions issued by the Panel are posted on the website. In 2008, the Panel met four times.

Benefits

This committee reviews the Plan Rules as they affect benefit entitlements and makes recommendations for changes as required. It monitors and reports to the Board on projected non-guaranteed post-retirement group benefits costs and makes recommendations annually for extended health and dental premium rates and the subsidies to be provided. The committee also reviews the Post-retirement Group Benefit Rules and makes recommendations for changes to plan design, coverage levels and cost structure as required. This committee met seven times in 2008.

Highlights in 2008 included recommending:

- the creation of a new member group for police officer and firefighter plan members with a higher pension accrual rate and higher contribution rates, subject to collective bargaining;
- a process to seek input from employers and unions on the issue of enrolment eligibility for employees who are not regular, full-time; and
- Plan Rule changes to clarify termination of employment as it relates to purchases of service and deadlines for completion of purchases of service, arrears and reinstatements.

Communications and Education

The Board is committed to providing excellent communications to stakeholders, employers and plan members. This committee supports that commitment by providing communications policy and strategy. It also coordinates Trustee orientation, education and learning initiatives. The committee coordinates plans for the Annual General Meeting, reviews Plan communications materials, and has delegated authority from the Board to approve some communications materials. This committee met nine times in 2008.

Highlights in 2008 included:

- the Seventh Annual General Meeting (AGM) was held October 18, 2008 in Burnaby, with over 200 attendees;
- a new video, *Retirement Road Trip*, was debuted at the AGM and on the website; and
- the *Report to Members*, *AfterWork*, various PensionFacts and bulletins were published in 2008.

Employer Eligibility

This committee reviews and makes recommendations to the Board about the criteria for employer eligibility to join the Plan. When an employer wants to join the MPP, this committee reviews the application to make sure the employer meets the eligibility criteria for the Plan. The committee met four times in 2008.

Highlights in 2008 included:

- recommending approval of 16 applications for employer participation from new employers and two applications for extensions of coverage to additional employee groups from existing employers; and
- clarifying the application of the Plan to new special purpose teaching universities that were formerly university colleges.

Governance

This committee ensures the Board has up-to-date governance policies and procedures, including confidentiality, conflict of interest, Trustee performance and self-assessment, risk management and strategic planning. It also monitors contracts and service agreements with major service providers and coordinates nominations for Chair, Vice-chair, the Appeals Panel and all Board committees. The committee met five times in 2008.

Highlights in 2008 included:

- coordinating the agenda for a Plan Partners/Appointing Authorities meeting and a special board meeting; and
- recommending revisions to the Trustee Skills, Knowledge and Experience Criteria; the Trustee Travel and Expense Policy and the Trustee Remuneration Policy.

Investment

This committee reviews and makes recommendations to the Board about its Statement of Investment Policies and Procedures, which sets the overall direction for the Plan's investments. It also coordinates periodic asset allocation studies and makes recommendations on investments. The committee met four times in 2008.

Highlights in 2008 included:

- conducting an asset liability review and presenting the findings to the Board;
- recommending a revised asset allocation and appropriate management and performance frameworks; and
- reviewing pooled fund investment documentation for all funds in which the Plan invests.

Valuation

This committee develops, reviews and recommends revisions to the Municipal Pension Board of Trustees' Funding Policy. The committee works with the Plan actuary to coordinate setting assumptions for actuarial valuations, review of the valuation results and changes to contribution rates, if required. Actuarial valuation is one of the key components for ensuring the financial health of the Plan. The committee met six times in 2008.

Highlights in 2008 included:

- conducting a Request for Proposal for actuarial services, evaluating the proposals and making a recommendation to the Board; and

- recommending revisions to the Funding Policy to include definitions of fund rate of return and fund five-year annualized rate of return.

Interplan Audit

The Municipal Pension Board of Trustees participates in the Interplan Audit Committee. The following mandate was approved by all four public sector pension plan boards.

The mandate of the Interplan Audit Committee is to act on behalf of, and to provide assistance to, the boards for:

- a timely and cost-effective system of accounting and reporting;
- financial statements conforming with generally accepted accounting principles;
- an independent audit of the financial statements; and
- an annual report with audited financial statements.

The committee accomplishes its mandate to provide financial oversight by:

- monitoring and reporting to the boards on the integrity of reporting, internal controls and compliance;
- monitoring and reporting on the independence and performance of the auditors;
- monitoring and reporting on risk management as it affects financial reporting;
- recommending the selection and compensation of external auditors; and
- addressing any matter referred to the committee by one or more of the four boards.

Membership in the committee includes two nominees from each of the boards of the College, Municipal, Public Service and Teachers' pension plans. All nominees must be ratified by all the boards. The committee must include at least two Trustees who understand generally accepted accounting principles (GAAP), internal controls and audit committee functions. The committee must meet at least three times a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

Other Interplan Committees

The Board also participates in the Interplan Benefits, Trustee Education and Investment Committees.

Plan Membership

The Municipal Pension Plan has 157,394 active members who work for 679 employers. Many of these employers provide valuable services to communities across BC. Membership is open to all eligible employees of plan employers from the municipal, school district, regional college, health, police, fire, and other sectors. Once an employee elects or qualifies to contribute to the Plan, contributions continue until the member terminates employment, retires, or accrues 35 years of pensionable service.

There are three types of members in the Municipal Pension Plan:

Active—those who are currently contributing, are on a leave of absence, or are receiving benefits from an approved long-term disability plan. There are 157,394 active plan members.

Inactive—those who have terminated their employment, but have left contributions deposited in the Plan. They may or may not be eligible for a pension in the future. Those who are eligible for a future pension are known as vested and deferred members. There are 28,560 inactive plan members.

Retired—those who are receiving a pension, including a disability pension. There are 56,969 retired plan members.

Active membership increased by 7,260 or 4.8 per cent from 2007. The number of retired plan members grew by 3,090 or 5.7 per cent from 2007.

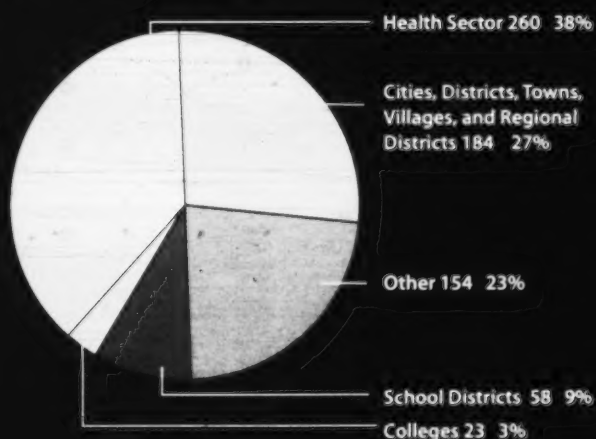
The total number of retired members is expected to continue to grow in the next decade as more and more baby boomers reach retirement age. This changing ratio places more pressure on the Plan as there are fewer active members contributing to the Plan and more retired members drawing pensions out of the Plan. However, the actuarial valuation considers these changing demographics as part of determining the overall funded status of the Plan.

The actuarial valuation also looks at age and gender, and other demographic factors that affect the projected cost of pensions.

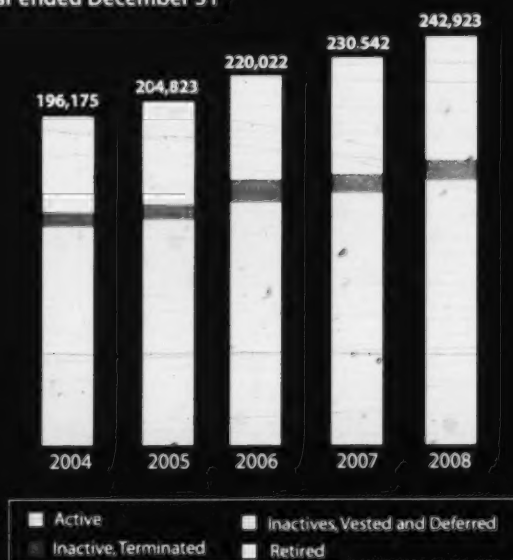
The Municipal Pension Plan covers a wide range of occupations, including police officers and firefighters, who have their own separate member group. These members are entitled to retire earlier than most members because of the dangerous and physical nature of their jobs. Normal retirement age in MPP is 65—this group can retire at age 60. There are more than

150,897 plan members in the normal retirement age 65 group, and more than 6,497 members in the normal retirement age 60 group.

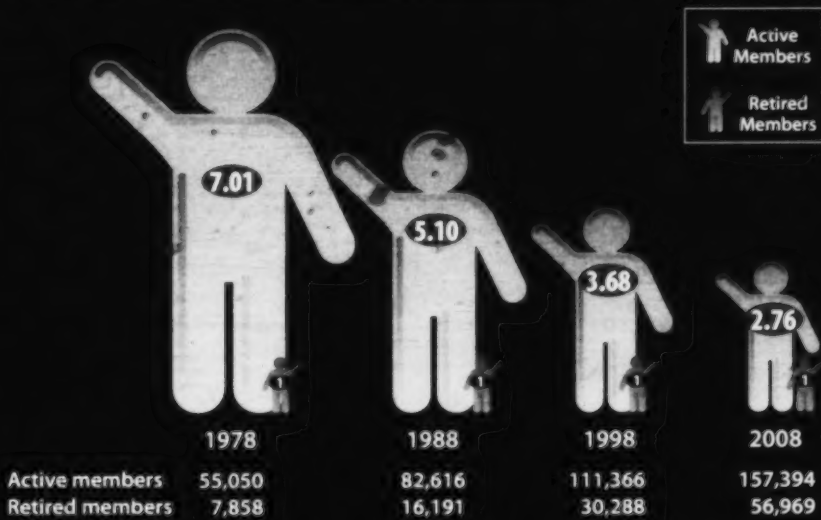
Municipal Pension Plan Employers



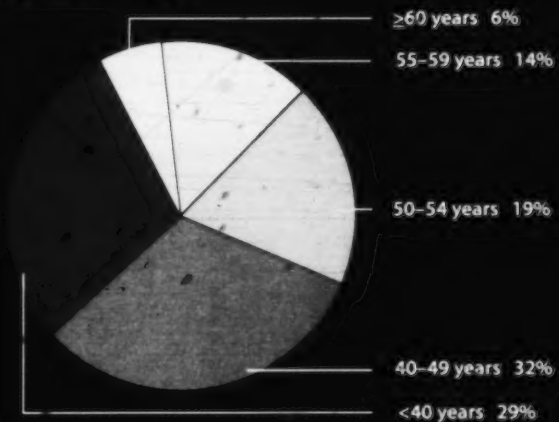
Number of Members Year ended December 31



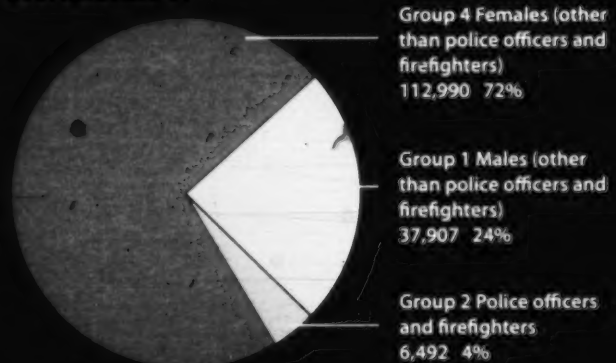
Ratio of Active Members to Retired Members



Age Profile of Active Members As at December 31

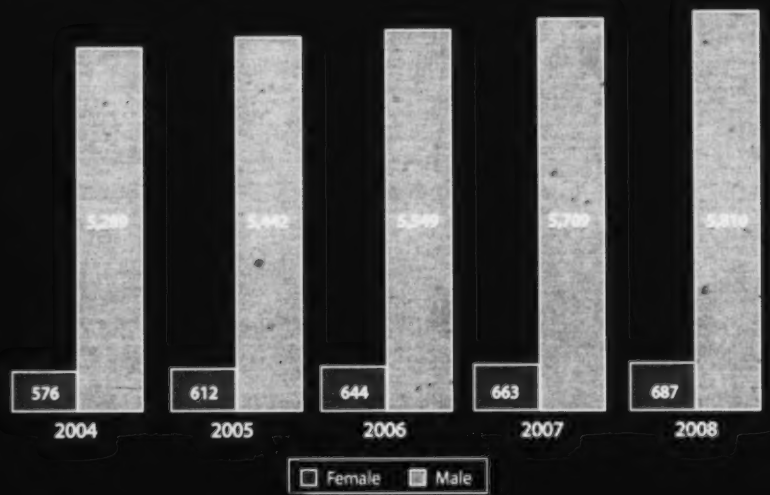


Active Members by Group As at December 31

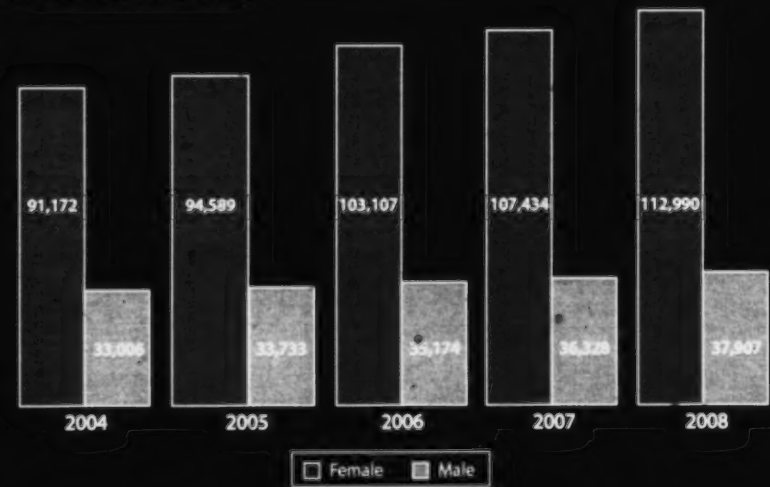


Note: There are also five Group 3 females in a special closed group.

Active Members – Normal Retirement Age 60
Year Ended December 31



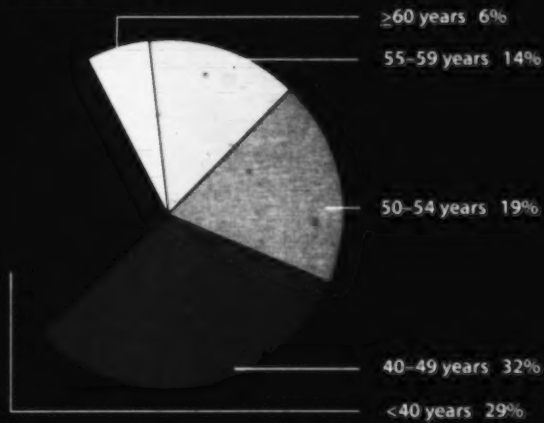
Active Members – Normal Retirement Age 65
Year Ended December 31



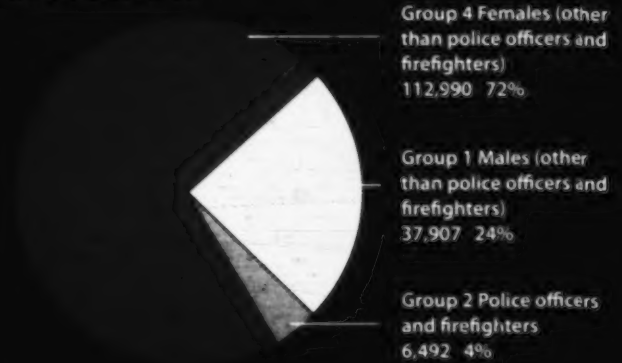
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Age Profile of Active Members As at December 31

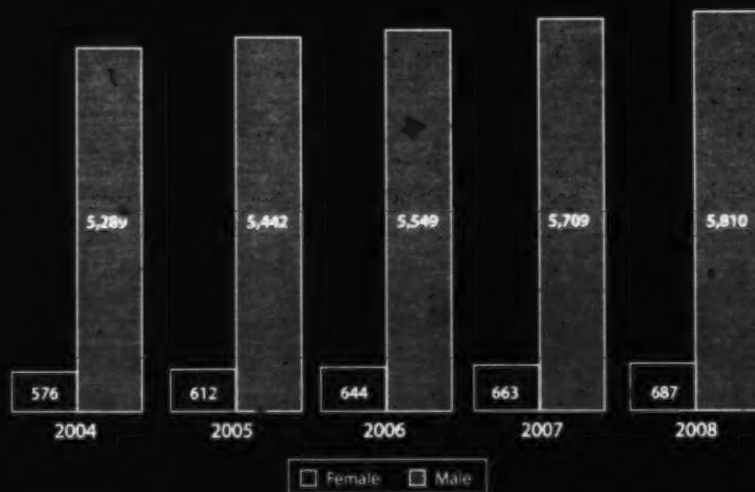


Active Members by Group As at December 31

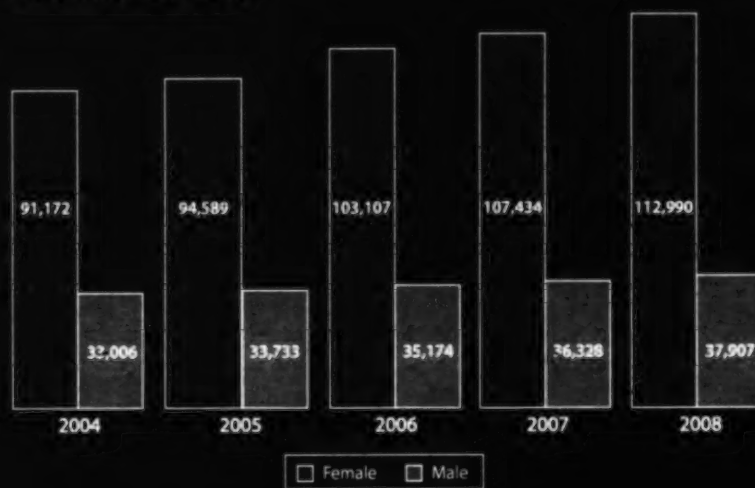


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Active Members – Normal Retirement Age 60
Year Ended December 31



Active Members – Normal Retirement Age 65
Year Ended December 31



Contributions

Members of the Municipal Pension Plan contribute to the Plan through automatic deductions from their salary. Both employers and plan members pay contributions to fund future pension benefits.

Members contribute 6.99 per cent of salary up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) (\$44,900 in 2008), and 8.49 per cent of salary above that amount. Once a member terminates employment, retires or accrues 35 years of pensionable service, they no longer make contributions to the Plan.

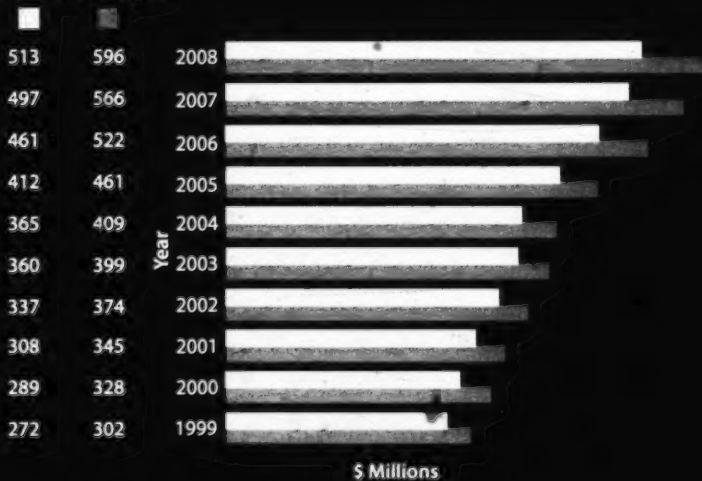
Employers are annually assigned one or more employer contribution rates based on the group rate classification and the demographics of their respective employee populations. These rates may change from year to year as the employee mix changes in terms of age and/or gender.

The Plan includes employers from a number of sectors. The health sector (health authorities including hospitals, community care and care facilities, etc.) makes up about half of the employers. Other employers come from cities, districts, towns, villages and regional districts; school districts; colleges; and others. The Plan Rules allow employers who are public sector employers, carry out a public purpose or function, or are financed in part by public funds to apply to join the Plan.

Contributions

Year Ended December 31

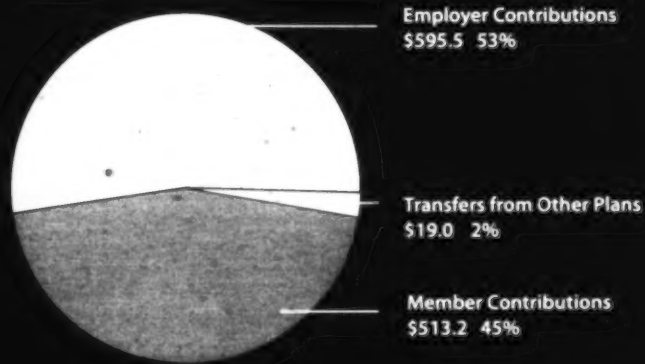
Member Employer



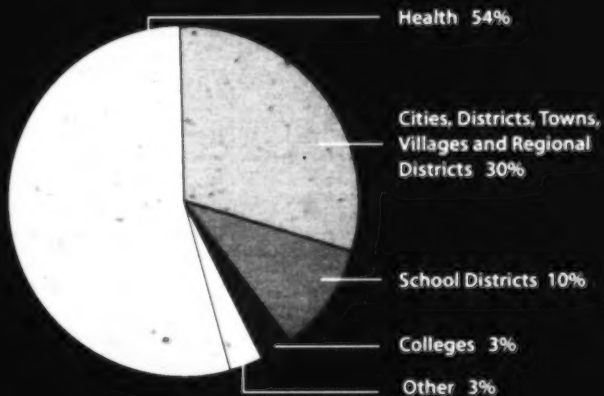
\$ Millions

Contributions

\$ Millions



Total Regular Contributions by Employer Sector as a Percentage



Average Employer Contribution Rates by Sector

Health Sector	8.47%
Cities, Districts, Towns, Villages, and Regional Districts	8.54%
School Districts	8.52%
Colleges	7.82%
Other	8.47%

Benefits

Plan benefits are defined by the Plan Rules made under the authority of the Joint Trust Agreement.

Guaranteed Basic Pension

The basic pension benefit is defined, and is based on how many years of pensionable service the member has accrued in the Plan, the highest average salary (highest 60 months, not necessarily the last 60 months) and age at retirement. The pension is not based on contributions to the Plan, nor is it based on the investment performance of the Plan's assets. The advantage of a defined benefit plan is that the pension amount can be calculated for future retirement dates because it is not dependant on market conditions. The Plan provides entitlement to a pension benefit after two years of contributory service, as well as survivor and disability benefits.

As of December 31, 2008, the Plan provided pensions to 56,969 retired members, an increase of 5.7 per cent from the previous year.

The pension represents a valuable asset, as shown by the value of pensions granted in 2008.

Cost-of-living increase (Non-guaranteed)

Cost-of-living increases are a non-guaranteed supplement to the basic lifetime pension. Once you retire, your pension may be increased by inflation adjustments from the Municipal Pension Plan.

On January 1, 2008, retired members received a full Consumer Price Index (CPI) increase of 2.5 per cent. On January 1, 2009, retired members received a full CPI increase of 3.4 per cent. Cost-of-living increases to the pension may be provided each year. (See Note 7b to the Financial Statements.) Once granted, the indexing is guaranteed. The Board monitors the Plan's ability to grant future indexing.

Over time, cost-of-living increases can make up a significant portion of a basic pension. The following example of a \$10,000 annual pension illustrates how cost-of-living increases have affected pensions over the past 20 years:

Basic Pension Plus Cost-of-Living Increases Granted



* Shows cumulative cost-of-living increases and the percentage of the pension that is made up of these increases

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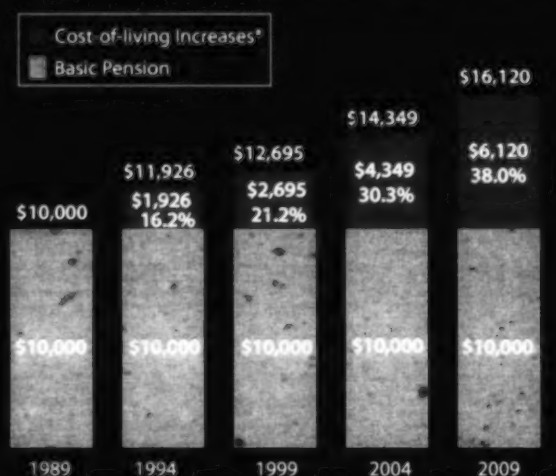
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New Regular Pensions by Age at Retirement Groups* 1, 3 and 4

Normal Retirement Age 65

Subdivided by years of service and age at retirement

Years of Service	55	56-59	60-64	≥65	Total
<10 years	51	122	284	94	551
10-14	72	157	273	61	563
15-19	74	173	276	67	590
20-24	47	119	214	27	407
25-29	48	119	179	22	368
30-34	78	212	109	9	408
35 years	18	24	20	6	68
Total	388	926	1,355	286	2,955
Average Service	20	20	17	14	18
Average Age					59

* All plan members except police officers and firefighters.

New Regular Pensions by Age at Retirement Group 2*

Normal Retirement Age 60

Subdivided by years of service and age at retirement

Years of Service	50	51-54	55-59	≥60	Total
<10 years	—	2	3	2	7
10-14	1	—	—	1	2
15-19	2	2	3	1	8
20-24	—	6	2	3	11
25-29	8	46	14	1	69
30-34	1	29	41	6	77
35 years	—	—	11	5	16
Total	12	85	74	19	190
Average Service	25	28	30	26	28
Average Age					55

* Police officers and firefighters.

Average Value of New Regular Pensions

January 1, 2008 to December 31, 2008

Subdivided by years of service:

Years of Service*	Number of New Regular Pensions	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions (\$ Millions)
<10 years	558	\$ 48,000	\$ 5,700	\$ 68,000	\$ 37.9
10-14	565	50,000	12,200	154,000	87.0
15-19	598	52,000	17,300	223,000	133.4
20-24	418	58,000	24,400	322,000	134.6
25-29	437	59,000	31,500	420,000	183.5
30-34	485	60,000	38,600	535,000	259.5
35 years	84	67,000	43,400	645,000	54.2
Total	3,145	n/a	n/a	n/a	\$890.1
Average of all pensions	n/a	\$54,000	\$21,200	\$275,000	n/a

* Years of service includes service transferred from other plans.

Investments

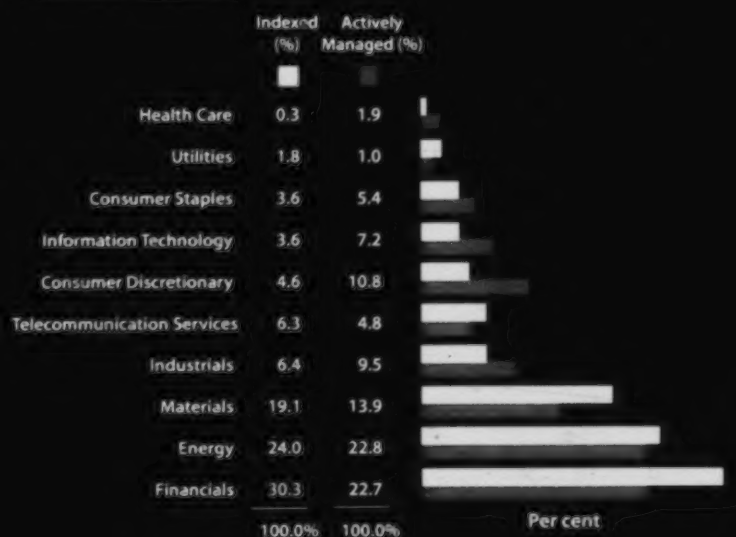
One of the major responsibilities of the Trustees is to monitor the financial health of the Plan. Our goal is to achieve consistent and steady performance over the long term by following sound investment principles, including:

- **diversification:** the fund holds fixed income and equity investments that offer consistent and steady performance over the long term;
- **due diligence:** investment managers assess investment opportunities to ensure they are well-governed and offer an appropriate balance of risk and return;
- **discipline:** the Plan takes a longer-term view to avoid the anxiety of short-term market fluctuations;
- **engagement:** promoting responsible governance and management of the companies we invest in.

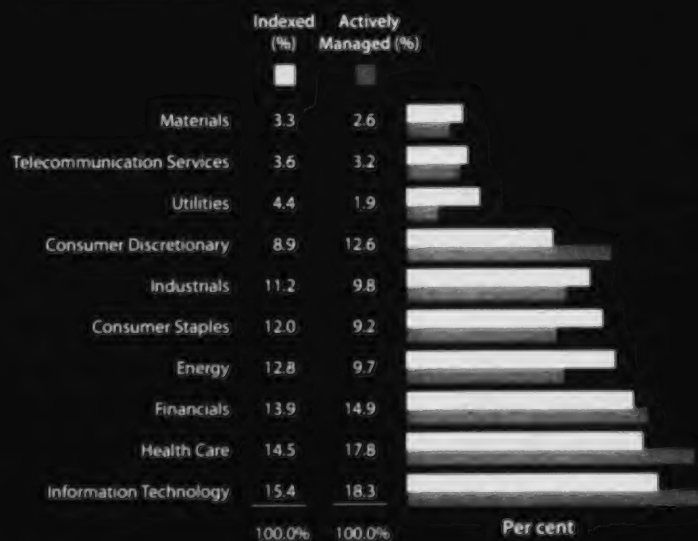
Every three years, an independent actuary assesses the financial health of the Plan. At the most recent actuarial valuation, as at December 31, 2006, the Plan had a surplus of \$438 million.

The next valuation will be as at December 31, 2009, with the results available for the 2010 Annual Report, which will be released in 2011.

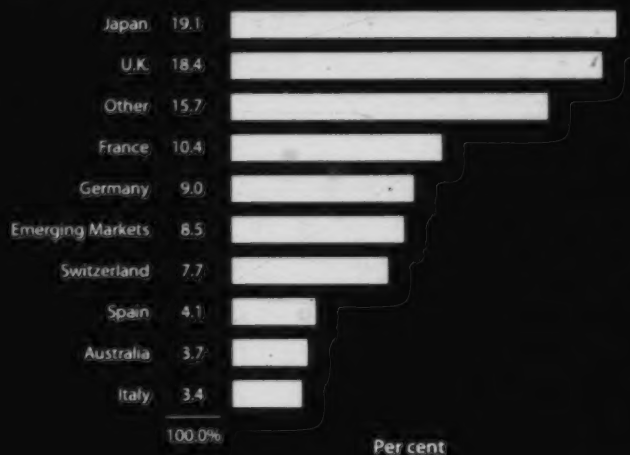
Canadian Equities, by Sector



U.S. Equities, by Sector



International Equities, by Country (%)



Financial Statements

- Financial statements are available as a stand alone document from the website.
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